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June 23, 1992

Timothy J. Lindon, Esq.
Philip Morris International
800 Westchester Avenue
Rye Brook, New York 10573

Dear Tim:

It was a pleasure meeting and talking with you recently in Rye Brook.

At your request, we have developed a budget for the completion of the Philip Morris International records management projects. This budget contemplates not only tying up outstanding loose ends, but also conforming the International retention schedules with the other operating companies in New York.

My hourly rate is $220. The rate for Arthur DeBaugh is $120 per hour. In calculating attorney time, we have utilized a "blended" estimate of $160 per hour. The billing rates for our paralegals range from $40 to $75 per hour. Pat Elliott, the paralegal most heavily involved in this project, has an hourly rate of $70. Accordingly, in the budget we have used a $70 figure for paralegal work.

Our estimates of the hours involved in completing the project are set forth below. Estimates of this sort are always fraught with uncertainty, but we think these projections are reasonable.

The process we are now following involves "streamlining" the records retention schedules and consolidating them according to the Personnel Department's list of "officially recognized" departments within Philip Morris International. A more detailed discussion of the steps involved follows.

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A. Revisions to Retention Schedules.

This step involves the revision and "streamlining" of existing retention schedules and further revisions according to

Source: https://www.industrydocuments.ucsf.edu/docs/hkdk0000

any comments you may have after a review of our first cut. Our aim is to reduce the overall number of categories and to standardize even further the category names and retention periods. Also included in these figures is time for the preparation of "history reports" which will enable the departments to track categories from the current version of the retention schedules to the newer, streamlined version (e.g., categories A, B, and C are now combined into "new" category D). Finally, we have included in this figure time for the development of narrative descriptions of those categories that are used most frequently.

Lawyers	50 hours	$8,000.00
Paralegals	150 hours	$10,500.00

B. Consolidation of Retention Schedules.

Our next step is to consolidate the retention schedules according to the Philip Morris Personnel Department's list of "officially recognized" departments. The current schedules were prepared using organization charts; more recently, we've been asked to use the Personnel Department list instead.

Bill Lynch, the Supervisor of Records Management for New York and Rye Brook, has informed us that the use of the Personnel Department's list will be more efficient for his department's purposes. Thus, when an employee calls requesting that certain records be sent to storage, Bill or someone in his department will be able to determine that employee's department and retention schedule quickly based on the Personnel Department's printout. This process may result in the reduction of the overall number of retention schedules as well.

Also included in this figure is time for the preparation of a list for each department showing the employees in that department, based on the Personnel Department's printout of "officially recognized" departments and their employees. These lists will enable employees and the Records Management Department to determine applicable retention schedules for individual employees quickly and easily.

Lawyers	10 hours	$1600.00
Paralegals	30 hours	$2100.00

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C. Preparation of Binders.

The revised records retention schedules will be distributed in looseleaf binders that would include the retention schedule for that department, a narrative description of the most commonly used categories and the kinds of records contained in each, a consolidated list of all categories used in that department's functional area (such as Finance or Corporate Affairs), a history report for the individual department showing the new categories into which the categories from the department's former retention schedule have been consolidated, and a list of all employees in the department that should be using the retention schedule, based on the Personnel Department's list of "officially recognized" departments and their employees. This will enable personnel to review and understand the "streamlining" process relatively easily.

Paralegals	20 hours	$1,400.00

D. Manual and Form Revisions.

The Records Management Manual and the retention schedule form will require minor modifications. Specifically, on the retention schedule form we are adding a column to indicate whether records are vital, adding a signature line for the Tax Department, deleting "Permanent" and "Until Terminated" as retention periods, and flagging records categories for possible archival review prior to disposal.

Lawyers	5 hours	$800.00
Paralegal	10 hours	$700.00
Computer Dept.	10 hours	$500.00

E. Disbursements.

Based on our previous experience, we anticipate that copying costs, materials (such as looseleaf binders, tabs, and the like), facsimile charges, and telephone tolls will be significant. We estimate, for budgeting purposes, a figure of $5,000.00 for disbursements. This figure would be reduced by approximately $2,000.00 if you elect to prepare the binders of revised retention schedules and related information in-house.

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Source: https://www.industrydocuments.ucsf.edu/docs/hkdk0000

F. Totals.

The foregoing estimates result in the following totals:

Lawyers	65 hours	$10,400.00
Paralegals	210 hours	14,700.00
Computer Dept.	10 hours	500.00
Disbursements		5,000.00
	Grand Total	$30,600.00

We have attempted to include in these estimates adequate time to accomplish the tasks outlined. While there is always an element of uncertainty, I do not believe that the estimates are of the wrong order of magnitude.

Please note that we have not included in this estimate any trips to Rye Brook to review our work and the revised retention schedules before their distribution. Moreover, we have not included any estimate for training of Philip Morris International employees on the revised procedures and retention schedules. We believe the training conducted to date should be adequate, but can discuss this subject with you further at your convenience.

Please note that the training we have done for Marc Firestone and the Philip Morris Companies/Philip Morris Management Corp. employees is the first set of training sessions done for that group; Philip Morris International employees received such training almost two years ago. Philip Morris U.S.A. employees received similar training; however, Richard Reid has mentioned that it may be appropriate to conduct one large training session for Philip Morris U.S.A. Records Coordinators in New York upon the distribution of the revised retention schedules.

Finally, please note that we have not included any time for revisions to retention schedules based on employee comments subsequent to the distribution of the revised retention schedules. Richard Reid is of the opinion that the revised schedules for Philip Morris U.S.A. should be distributed "as is" and that no modifications will be necessary or accepted. For this reason, even though we think employees will have a

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substantial number of comments and requested changes, we have not included any time for this eventuality.

I have also included the legal summary chart, and a list of the retention schedules that have been "finalized" for P.M. International. I hope that you find this information helpful. Please note that the legal summary chart was developed based on record categories used by Philip Morris U.S.A.

As Tom Maddi, one of our paralegals who has worked most closely on this project, will be leaving Hunton & Williams in late July, we would appreciate a response at your earliest convenience so that we may fully utilize Tom before his departure. Needless to say, we look forward to your comments and to working with you toward the successful completion of this project.

Sincerely yours,

Ray V. Hartwell, III

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Enclosures
cc: Arthur J. DeBaugh, Esq.
Ms. Patricia J. Elliott

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